

City of Detroit

CITY COUNCIL

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TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ.*
Anne Marie Langan, Deputy Director *AML*

DATE: September 25, 2008

RE: Report on Gaming Tax Revenue through August 2008

For Council's review, the attached schedules present the gaming tax revenue activity through August 2008 and prior fiscal years.

The city collected \$14.31 million in gaming tax revenue for the second month of the fiscal year, which was .22% greater than the prior month of July. The August 2008 collection was a .064% decrease over August 2007 and a .204% increase over August 2006.

Adjusted gross casino gaming receipts came in at \$117.96 million for the month of August 2008. This represented a 2.10% increase over the prior month and a 5.67% increase over August of 2007. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows slight growth, approximately 4.04% since last August, among the combined casino receipts.

There is not a one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases due to the fact that MGM and Motor City casinos began paying the city 1% less because of the permanent casinos opening on October 3 and November 29, respectively. This reduction to the city is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. The caveat was that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days, 5% of the 6% additional wagering tax would be eliminated, with the 1% allocated to the city where the casino is being operated. Greektown will continue to pay the 6% additional wagering tax – 4% to the state, 2% to the city – until the permanent is open, which is scheduled for January 2009. The amended development agreement, which is separate

from the state law, has all casinos paying an additional 1%, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. This change lost the city about \$8 million in the current fiscal year. The Greektown casino is scheduled to open the permanent facility in early 2009, which will then allow this casino as well to reduce the wagering tax payments by 1%.

In November for the third year in a row, gaming tax collections will spike almost by \$9 million over the month of October. This is due to the additional 1% that was added January 2006 through the city's amended development agreement with the casinos that the casinos had to pay the city once they individually reached \$400 million in the calendar year. Fiscal projects that MGM will reach \$400 million in early September, and then needs to transfer to the City the initial \$4 million of the additional 1% within 10 days as stipulated in the development agreement. It does not appear that the amended casino development agreement included any penalty for late remittance, which MGM unfortunately has taken advantage of the last two years. Fiscal projects that Motor City will also reach \$400 million at some point in November and has consistently remitted the funds to the city within the proper timeframe as outlined in the development agreement.

The 2008-2009 budgeted revenue for gaming fees is \$194.78 million, a 0.8% increase over the 2007-2008 budget of \$193.25 million. Based on our regular monthly projections, the current analysis projects a deficit of \$15 million for this fiscal year. This method of projection has been very close to actuals the last fiscal years. Of course, as it is early in the fiscal year, there may still be additional factors that may shift the totals positively or negatively.

Attachments (9)

cc: Council Divisions
Auditor General
Norman White, Finance Director
Pamela Scales, Budget Director
Renee Short, Budget Manager
Tanya Stoudemire, Finance - Project Administration
Londell Thomas, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

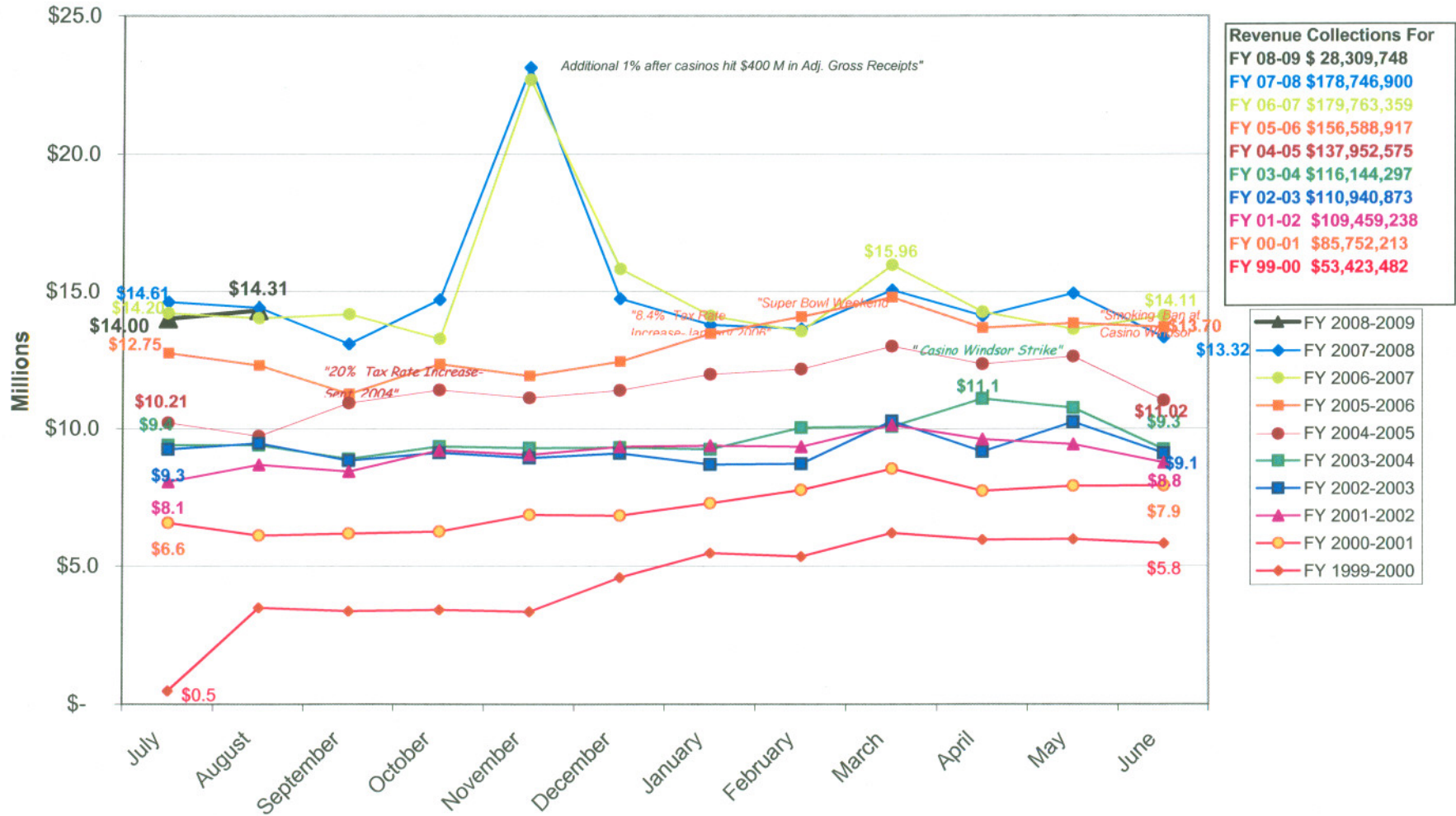


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

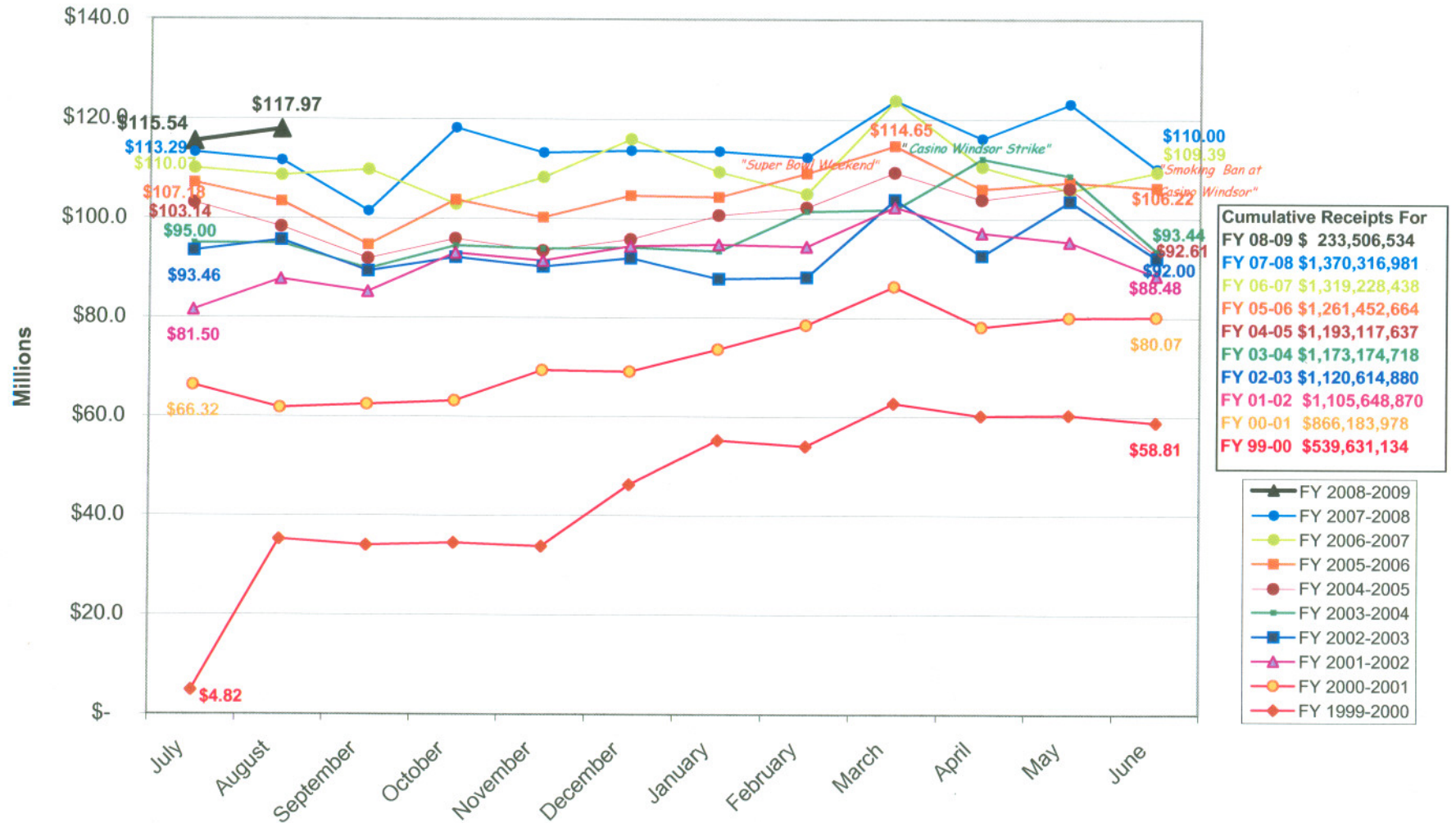


Chart 2

Monthly Detroit Gaming Tax Collections



Chart 2A

Monthly Adjusted Gross Casino Gaming Receipts



Chart 3

MGM Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

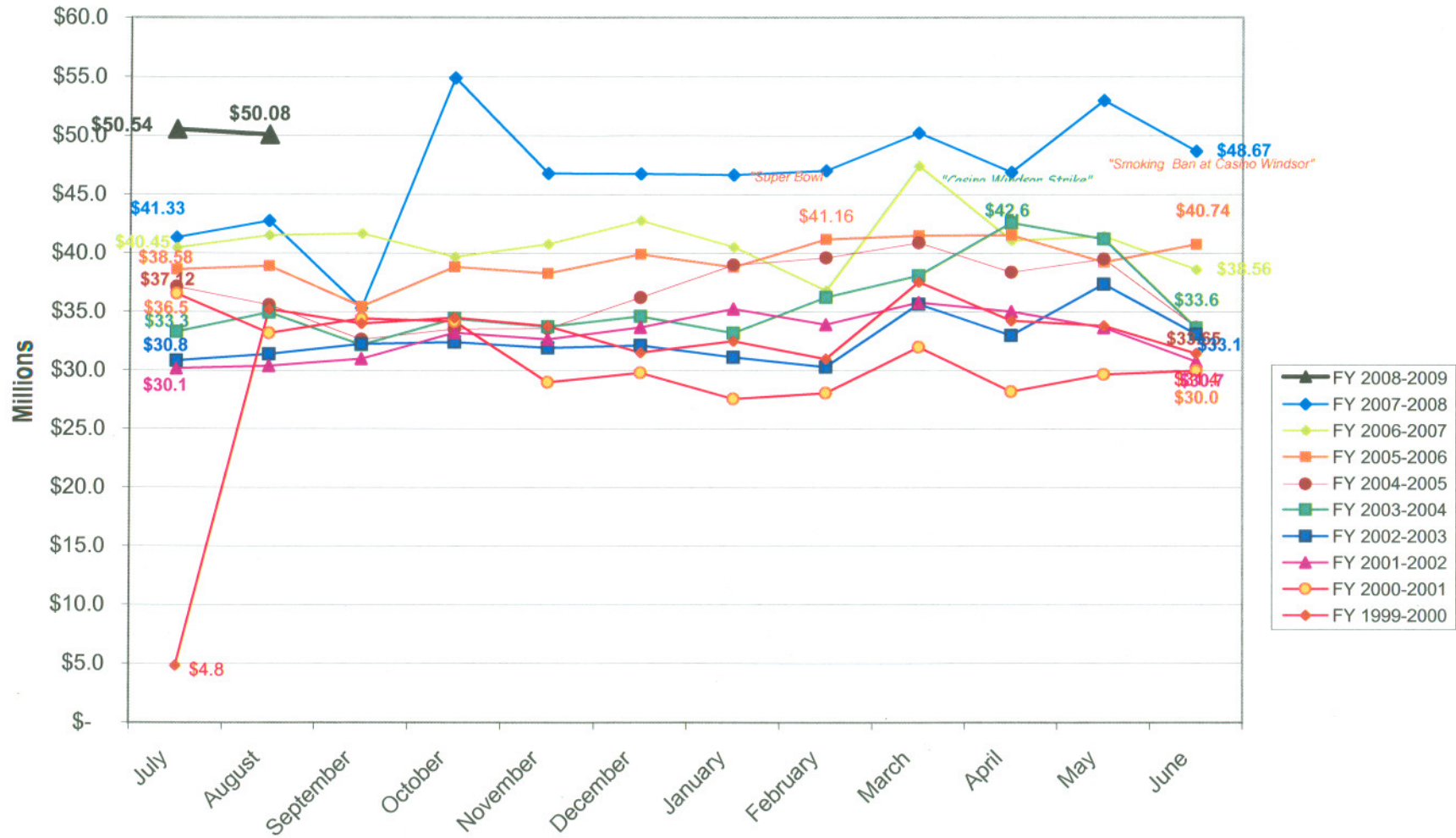


Chart 4

Motor City Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

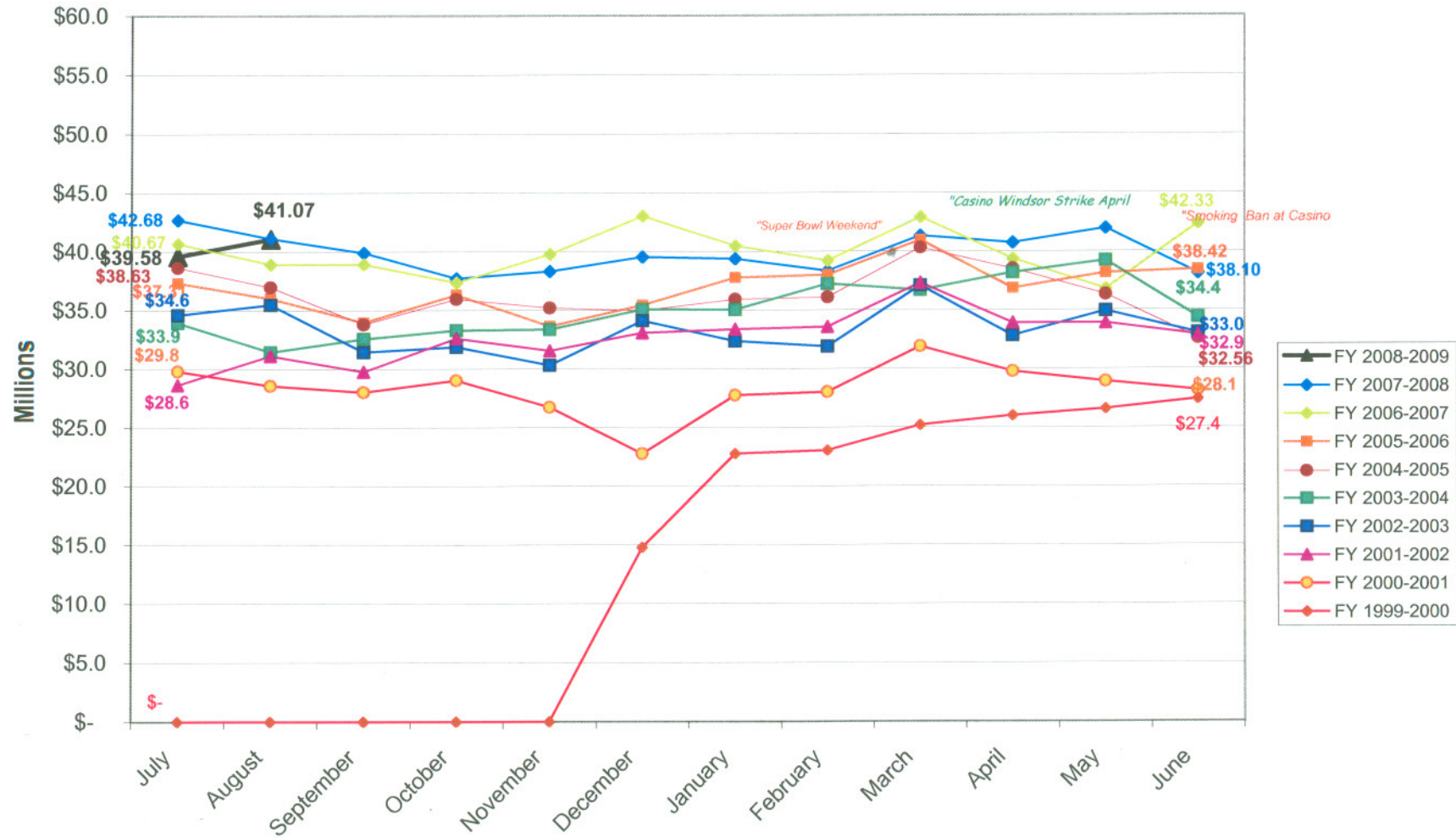


Chart 5

Greektown Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

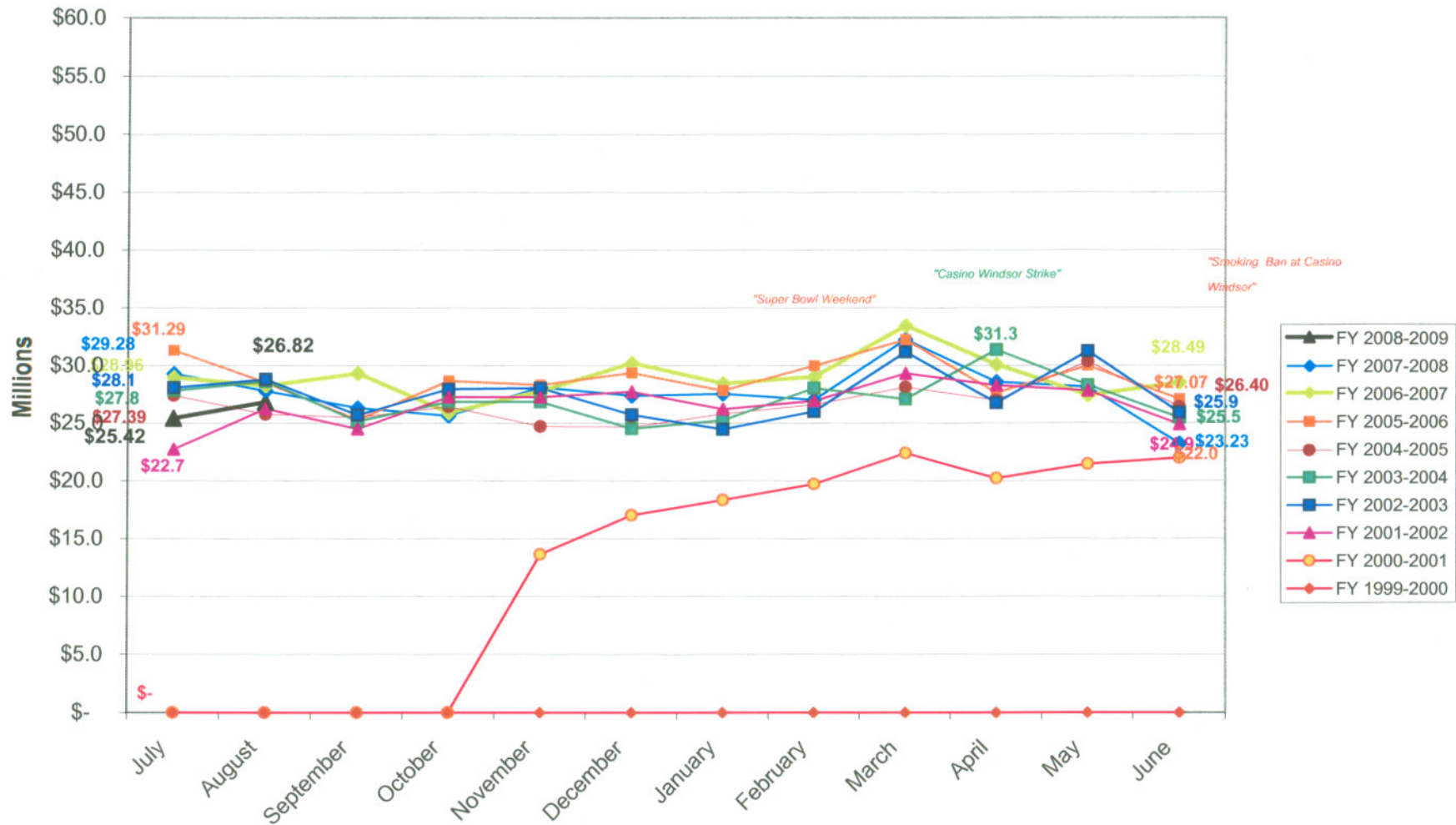


Table 1

Wagering Tax Proj - All Casinos

| | Total Adjusted Gross Receipts | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts |
|---|-------------------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|-----------------------|-------------------------------|
| | FY 99-00 | FY 00-01 | | | FY 01-02 | | | FY 02-03 | | | FY 03-04 | | | FY 04-05 |
| July | \$ 4,818,554.11 | \$ 66,323,549.18 | 12.77% | 1276.42% | \$ 81,496,908.67 | 1.78% | 22.88% | \$ 93,464,344.37 | 5.63% | 14.68% | \$ 94,996,882.60 | 3.26% | 1.64% | \$ 103,137,181.92 |
| August | \$ 35,206,963.97 | \$ 61,725,994.28 | -6.93% | 75.32% | \$ 87,712,104.68 | 7.63% | 42.10% | \$ 95,624,361.82 | 2.31% | 9.02% | \$ 94,945,297.86 | -0.05% | -0.71% | \$ 98,284,018.21 |
| September | \$ 33,951,508.55 | \$ 62,400,590.64 | 1.09% | 83.79% | \$ 85,194,954.99 | -2.87% | 36.53% | \$ 89,330,627.77 | -6.58% | 4.85% | \$ 89,846,284.46 | -5.37% | 0.58% | \$ 91,879,662.05 |
| October | \$ 34,457,655.34 | \$ 63,154,788.42 | 1.21% | 83.28% | \$ 93,009,539.88 | 9.17% | 47.27% | \$ 92,160,878.71 | 3.17% | -0.91% | \$ 94,497,435.81 | 5.18% | 2.54% | \$ 95,876,962.42 |
| November | \$ 33,753,191.20 | \$ 69,311,190.20 | 9.75% | 105.35% | \$ 91,433,716.17 | -1.69% | 31.92% | \$ 90,243,781.15 | -2.08% | -1.30% | \$ 93,902,353.28 | -0.63% | 4.05% | \$ 93,449,975.38 |
| December | \$ 46,250,828.30 | \$ 69,524,423.42 | 0.31% | 50.32% | \$ 94,402,799.35 | 3.25% | 35.78% | \$ 91,920,659.97 | 1.86% | -2.63% | \$ 94,143,405.98 | 0.26% | 2.42% | \$ 95,793,618.31 |
| January | \$ 55,200,849.45 | \$ 73,592,001.56 | 5.85% | 33.32% | \$ 94,761,814.26 | 0.38% | 28.77% | \$ 87,887,493.44 | -4.39% | -7.25% | \$ 93,418,339.78 | -0.77% | 6.29% | \$ 100,641,632.70 |
| February | \$ 53,986,302.45 | \$ 75,747,462.08 | 2.93% | 40.31% | \$ 94,372,441.05 | -0.41% | 24.59% | \$ 88,132,675.16 | 0.28% | -6.61% | \$ 101,448,959.91 | 8.60% | 15.11% | \$ 102,234,696.19 |
| March | \$ 62,688,959.46 | \$ 86,262,860.21 | 13.88% | 37.60% | \$ 102,350,849.53 | 8.45% | 18.65% | \$ 103,839,988.50 | 17.82% | 1.45% | \$ 101,817,213.41 | 0.36% | -1.95% | \$ 109,276,275.06 |
| April | \$ 60,187,608.42 | \$ 78,094,868.65 | -9.47% | 29.75% | \$ 97,128,696.05 | -5.10% | 24.37% | \$ 92,518,292.64 | -10.90% | -4.75% | \$ 112,058,689.00 | 10.06% | 21.12% | \$ 103,817,060.60 |
| May | \$ 60,316,238.91 | \$ 79,973,338.46 | 2.41% | 32.59% | \$ 95,300,333.75 | -1.88% | 19.17% | \$ 103,491,412.70 | 11.86% | 8.60% | \$ 108,663,278.95 | -3.03% | 5.00% | \$ 106,113,250.65 |
| June | \$ 58,812,474.03 | \$ 80,072,911.35 | 0.12% | 36.15% | \$ 88,484,712.03 | -7.15% | 10.51% | \$ 92,000,364.73 | -11.10% | 3.97% | \$ 93,436,577.00 | -14.01% | 1.56% | \$ 92,613,303.37 |
| TOT RECEIPTS thru FY | \$ 539,631,134.19 | \$ 866,183,978.45 | | 60.51% | \$ 1,105,648,870.41 | | 27.65% | \$ 1,120,614,880.96 | | 1.35% | \$ 1,173,174,718.04 | | 4.69% | \$ 1,193,117,636.86 |
| Receipts thru Cal Yr. | | | | | | | | | | | | | | |
| Wagering Tax - pre 9/2004 (State Law) | 9.90% | 9.90% | | | 9.90% | | | 9.90% | | | 9.90% | | | 9.90% |
| Wagering Tax - post 9/2004 (State Law) | | | | | | | | | | | | | | 11.90% |
| Wagering Tax - post 1/2006 (Dev. Agrmt) | | | | | | | | | | | | | | |
| Add'l 1% after calendar year hits \$400 M (Dev. Agrmt) | | | | | | | | | | | | | | |
| Wagering Tax - post 10/07 - 30 days after permanent opens (State Law) | | | | | | | | | | | | | | |
| Wagering Tax FYTD | \$ 53,423,482.28 | \$ 85,752,213.87 | | | \$ 109,459,238.17 | | | \$ 110,940,873.22 | | | \$ 116,144,297.09 | | | \$ 137,952,574.78 |
| Add'l 1% after calendar year (Dev Agrmt) | | | | | | | | | | | | | | |
| Total FYTD | | | | | | | | | | | | | | |
| First 2 Months Receipts | \$ 40,025,518.08 | \$ 128,049,543.46 | | 219.92% | \$ 169,209,013.35 | | 32.14% | \$ 189,088,706.19 | | 11.75% | \$ 189,942,180.46 | | 0.45% | \$ 201,421,200.13 |
| Last 10 Months | \$ 499,605,616.11 | \$ 738,134,434.99 | | | \$ 936,439,857.06 | | | \$ 931,526,174.77 | | | \$ 983,232,537.58 | | | \$ 991,696,436.73 |
| Ratio of first 2 months to last 10 months | 1248.22% | 576.44% | | | 553.42% | | | 492.64% | | | 517.65% | | | 492.35% |
| est. last 10 months of fiscal year | | | | | | | | | | | | | | |
| est. annual collection | | | | | | | | | | | | | | |
| inc. over prev. yr. | | | | | | | | | | | | | | |
| Estimated wagering tax | | | | | | | | | | | | | | |
| Budget | \$ 51,500,000.00 | \$ 80,700,000.00 | | 56.70% | \$ 95,800,000.00 | | 18.71% | \$ 105,000,000.00 | | 9.60% | \$ 110,000,000.00 | | 4.76% | \$ 117,600,000.00 |
| Surplus/Deficit | \$ 1,923,482.28 | \$ 5,052,213.87 | | 162.66% | \$ 13,659,238.17 | | 170.36% | \$ 5,940,873.22 | | -56.51% | \$ 6,144,297.09 | | 3.42% | \$ 20,352,574.78 |
| Add'l 1% after \$400M | | | | | | | | | | | | | | |
| Adjusted Surplus/Deficit | | | | | | | | | | | | | | |

Table 1

Wagering Tax Proj - All Casinos

| | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year |
|---|---------------------------|--------------------------|-------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|
| | | | FY 05-06 | | | FY 06-07 | | | FY 07-08 | | | FY 08-09 | | |
| July | 10.38% | 8.57% | \$ 107,183,066.76 | 15.73% | 3.92% | \$ 110,072,837.97 | 3.63% | 2.70% | \$ 113,292,228.60 | 3.57% | 2.92% | \$ 115,539,885.15 | 5.04% | 1.98% |
| August | -4.71% | 3.52% | \$ 103,404,489.92 | -3.53% | 5.21% | \$ 108,670,718.41 | -1.27% | 5.09% | \$ 111,638,470.47 | -1.46% | 2.73% | \$ 117,966,649.27 | 2.10% | 5.67% |
| September | -6.52% | 2.26% | \$ 94,646,506.32 | -8.47% | 3.01% | \$ 109,837,729.27 | 1.07% | 16.05% | \$ 101,472,179.99 | -9.11% | -7.62% | \$ - | -100.00% | -100.00% |
| October | 4.35% | 1.46% | \$ 103,785,884.07 | 9.66% | 8.25% | \$ 102,879,908.44 | -6.33% | -0.87% | \$ 118,232,375.81 | 16.52% | 14.92% | \$ - | #DIV/0! | -100.00% |
| November | -2.53% | -0.48% | \$ 100,200,007.05 | -3.46% | 7.22% | \$ 108,282,401.97 | 5.25% | 8.07% | \$ 113,205,571.06 | -4.25% | 4.55% | \$ - | #DIV/0! | -100.00% |
| December | 2.51% | 1.75% | \$ 104,627,713.94 | 4.42% | 9.22% | \$ 115,954,230.89 | 7.09% | 10.83% | \$ 113,644,454.00 | 0.39% | -1.99% | \$ - | #DIV/0! | -100.00% |
| January | 5.06% | 7.73% | \$ 104,344,788.88 | -0.27% | 3.68% | \$ 109,395,456.08 | -5.66% | 4.84% | \$ 113,538,879.23 | -0.09% | 3.79% | \$ - | #DIV/0! | -100.00% |
| February | 1.58% | 0.77% | \$ 109,110,654.88 | 4.57% | 6.73% | \$ 104,978,178.00 | -4.04% | -3.79% | \$ 112,348,111.49 | -1.05% | 7.02% | \$ - | #DIV/0! | -100.00% |
| March | 6.89% | 7.33% | \$ 114,646,495.31 | 5.07% | 4.91% | \$ 123,724,595.76 | 17.86% | 7.92% | \$ 123,755,237.80 | 10.15% | 0.02% | \$ - | #DIV/0! | -100.00% |
| April | -5.00% | -7.35% | \$ 105,961,980.53 | -7.58% | 2.07% | \$ 110,447,576.58 | -10.73% | 4.23% | \$ 116,140,232.49 | -6.15% | 5.15% | \$ - | #DIV/0! | -100.00% |
| May | 2.21% | -2.35% | \$ 107,320,342.18 | 1.28% | 1.14% | \$ 105,599,379.09 | -4.39% | -1.60% | \$ 123,052,907.87 | 5.95% | 16.53% | \$ - | #DIV/0! | -100.00% |
| June | -12.72% | -0.88% | \$ 106,220,734.54 | -1.02% | 14.69% | \$ 109,385,425.87 | 3.59% | 2.98% | \$ 109,996,332.91 | -10.61% | 0.56% | \$ - | #DIV/0! | -100.00% |
| TOT RECEIPTS thru FY | | 1.70% | \$ 1,261,452,664.38 | | 5.73% | \$ 1,319,228,438.33 | | 4.58% | \$ 1,370,316,981.72 | | | \$ 233,506,534.42 | | |
| Receipts thru Cal Yr. | | | | | | | | | \$ 993,695,395.73 | | | \$ 713,396,097.22 | | |
| Wagering Tax - pre 9/2004 (State Law) | | | | | | | | | | | | | | |
| Wagering Tax - post 9/2004 (State Law) | | | 11.90% | | | | | | | | | | | |
| Wagering Tax - post 1/2006 (Dev. Agrmt) | | | 12.90% | | | 12.90% | | | 12.90% | | | 12.90% | | |
| Add'l 1% after calendar year hits \$400 M (Dev. Agrmt) | | | | | | 1.00% | | | 1.00% | | | 1.00% | | |
| Wagering Tax - post 10/07 - 30 days after permanent opens (State Law) | | | | | | | | | 11.90% | | | 11.90% | | |
| Wagering Tax FYTD | | 18.78% | \$ 156,588,917.02 | | 13.51% | \$ 170,180,468.54 | | | \$ 168,809,946.93 | | | \$ 28,309,748.19 | | |
| Add'l 1% after calendar year hits \$400M during calendar year (Dev Agrmt) | | | | | | <u>\$ 9,582,890.79</u> | | | <u>\$ 9,936,953.96</u> | | | <u>\$ -</u> | | |
| Total FYTD | | | | | | \$ 179,763,359.33 | | | \$ 178,746,900.89 | | -0.57% | \$ 28,309,748.19 | | |
| First 2 Months' Receipts | | 6.04% | \$ 210,587,556.68 | | 4.55% | \$ 218,743,556.38 | | 3.87% | \$ 224,930,699.07 | | 2.83% | \$ 233,506,534.42 | | 3.81% |
| Last 10 Months Ratio of first 2 months to last 10 months | | | \$ 1,050,865,107.70 | | | \$ 1,100,484,881.95 | | | \$ 1,145,386,282.65 | | | \$ - | | |
| | | | 499.02% | | | 503.09% | | | 503.03% | | 4 year avg. | 499.37% | | 4 year avg. |
| est. last 10 months of fiscal year est. annual collection inc. over prev. yr. | | | | | | | | | | | | \$ 1,168,580,517.14 | | |
| Estimated wagering tax | | | | | | | | | | | | \$ 168,778,436.39 | | |
| Budget | | 6.91% | \$ 153,000,000.00 | | 30.10% | \$ 184,850,000.00 | | 20.82% | \$ 193,248,000.00 | | 4.54% | \$ 194,780,000.00 | | 0.79% |
| Surplus/Deficit | | 231.24% | \$ 3,588,917.02 | | | \$ (5,086,640.67) | | | \$ (14,501,099.11) | | | \$ (26,001,563.61) | | |
| Add'l 1% after \$400M | | | | | | | | | | | | \$ 10,688,000.00 | | |
| Adjusted Surplus/Deficit | | | | | | | | | | | | \$ (15,313,563.61) | | |